



**TESTIMONY OF  
DARLENE STROMSTAD, PRESIDENT & CEO, WATERBURY HOSPITAL**

**SUBMITTED TO THE  
APPROPRIATIONS COMMITTEE  
Friday, February 14, 2014**

***HB 5030, An Act Making Adjustments To State Expenditures For The Fiscal Year Ending June 30, 2015***

Waterbury Hospital appreciates the opportunity to submit testimony concerning HB 5030, *An Act Making Adjustments To State Expenditures For The Fiscal Year Ending June 30, 2015*. To demonstrate why this proposed legislation is important, we'd like to share with you how cuts to the state's Medicaid budget, along with cuts in federal reimbursement and the impact of healthcare reform, are affecting Waterbury Hospital, our employees, our patients, and the community we serve.

There are probably some people here who firmly believe that all Connecticut hospitals are doing very well financially, increasing revenue and enjoying a healthy bottom line. And maybe some are. But that is not the truth for Waterbury Hospital which is taking care of some of the state's most at-risk individuals. Over the last 32 months, we have worked very hard to reduce our expenses to achieve financial stability - \$6 million in FY2011, \$10 million in FY2012, and \$14 million in FY2013. That totals \$30 million in expense reductions to address Medicaid budget cuts as well decreases in Medicare funding. We have eliminated more than 200 jobs in a community with one of the highest unemployment rates in the state. We have deferred investments in capital and technology, we have scaled back programs and services, and there's simply no more room to scale back.

These tough decisions did, in fact, result in a positive bottom line in FY 2012—the first one in nearly a decade. Unfortunately, this was short lived, and we ended FY2013 with a loss of \$2.3 million—in spite of making a mid-year adjustment and reducing our workforce by 100 jobs to address the impact of the hospital tax. And, for the first three months of FY2014 we have a combined loss of \$2.7 million, and are projecting to end this year again in the red.

Every day at Waterbury Hospital, we are mindful of our promise to our patients—to keep them at the center of everything we do. Our staff works hard not to be distracted by our financial situation or other external forces that are significantly changing the healthcare landscape. We are proud of the care we provide and were delighted by the recent announcement that Waterbury Hospital is the only hospital in Connecticut—and one of 260 hospitals nationwide—to receive the 2014 Distinguished Hospital Award for Clinical Excellence™ from the nationally recognized

Healthgrades. The distinction places Waterbury Hospital in the top 5% of more than 4,500 hospitals nationwide for our clinical performance.

In addition to the Distinguished Hospital Award for Clinical Excellence, Waterbury Hospital was named one of Healthgrades America's 100 Best Hospitals for Critical Care in 2014. This is the second year in a row that Waterbury Hospital has received Healthgrades Critical Care Excellence Award.

These are major achievements given how challenging it is to operate a hospital, like Waterbury, that serves as a safety net for our community. Let's not forget that this isn't simply about dollars and cents. This is about the people who live here. Now they've been given a promise of improved access to healthcare through the Affordable Care Act, and now it's up to us – all of us – to ensure that there are hospitals and healthcare systems there to care for them. I cannot change the economy of Waterbury but, with your support, I can ensure that our most vulnerable citizens have a place to turn to for care – for psychiatric assistance, preventive care, or trauma care. They are just as deserving as folks living elsewhere.

Of course, even as we struggle, we remain steadfast in our commitment to supporting the goals of healthcare reform - improved efficiency and decreased cost. That's why Waterbury Hospital has been working with the Connecticut Hospital Association (CHA) and other hospitals across the state to find solutions to address the inequities in the current payment structure for healthcare, particularly the state's Medicaid program. I am chairing a CHA Committee that has been developing a plan to update Medicaid to a value-based system. Through this committee, we are working with the state to create and achieve consensus on a workable, meaningful, sustainable plan for Medicaid payment reform, which is something that neither the state nor the hospitals can do in isolation of the other.

The work of this committee is part of the overall Medicaid plan developed by CHA and its members. This plan, in its broadest terms, seeks to align with the state's health reform agenda; build upon the existing Medicaid fee-for-service payment system; and focus on programs to improve access to appropriate care, thereby reducing disparities and improving population health. Our goal is to use quality metrics to track and reward change; and invest in hospitals that achieve the shared vision.

The CHA plan proposes a series of incentives that are tied to producing strengthened results for patients and communities. The incentives would be sourced by a \$30 million appropriation of state funds, which would be matched by \$70 million in federal funds. Payout from the incentive pool would be conditional on achieving results that improve healthcare outcomes and enhance quality and patient safety. Given the state's current budget surplus, an investment of \$30 million seems like a small price to pay to ensure that high quality, affordable, and sustainable healthcare services are available for all Connecticut residents.

Support for HB3050 would be one step toward creating a better, more viable future for Waterbury Hospital as well as all Connecticut hospitals.

On behalf of the patients and communities we serve, and the 2,000 employees at Waterbury Hospital, thank you for your consideration of our position.